

DOCUMENT RESUME

ED 234 728

HE 016 685

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TITLE Funding of Regional Laboratories: Issued for the National Study Group on Regional Laboratories.
INSTITUTION National Inst. of Education (ED), Washington, DC.
PUB DATE 23 Aug 83
NOTE 15p.; For related documents, see ED 112 473, HE 016 673-685, and HE 016 689
PUB TYPE Viewpoints (120)
EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Administrative Policy; Budgets; Decision Making; *Federal Aid; *Financial Support; Higher Education; *Policy Formation; *Public Policy; *Regional Laboratories; *Resource Allocation; Revenue Sharing
IDENTIFIERS National Institute of Education; *NIE R and D Centers and Regional Educational Labs

ABSTRACT

Background information and an analysis of issues involved in the funding of a network of new regional educational laboratories are presented. The new laboratories are to be established through a 1984 competition administered by the National Institute of Education (NIE). The information is designed to assist the Study Group on Regional Laboratories to advise the NIE Director on the following decisions: (1) overall assumptions about the numbers of laboratories and budget for the laboratory program; (2) alternative means of allocating resources to individual laboratories, including the duration and stability of support, and policy for funding new institutions; and (3) alternative policies concerning matching or cost-sharing requirements for laboratory funding. After summarizing the history of funding for laboratories, an overview is presented of the current NIE policy, procedures, and levels of funding for the existing laboratories. More detailed attention is directed to analyses of issues and options based on the list of the pending decisions. The following three alternative approaches to funding laboratories are covered: the formula approach, the competitive approach, and mixed models. A budget summary of laboratories and research and development centers is included. (SW)

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ED234728

Funding of Regional Laboratories: Issued for the
National Study Group on Regional Laboratories

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August 23, 1983

Preface

In response to Congressional direction, the National Institute of Education engaged in FY 1983 in a planning process designed to lead to an open competition of the regional educational laboratories and the national research and development centers as defined under Section 405(f) of the General Education Provisions Act.

As part of the planning process, the Institute convened a Laboratory Study Group, which met in two three-day sessions to review laboratory issues and provide advice and recommendations to the Director. The Laboratory Study Group consisted of sixteen persons representing likely clients or users of laboratory work, including education policy makers, practicing educators at various levels and community and parent representatives. It also included persons from organizations that are likely to work jointly with laboratories to offer services, as well as those with a background in conducting research, development or dissemination.

This paper was developed by NIE staff as part of a comprehensive briefing book on laboratory history, status and issues that was provided to Study Group members. Its purpose was to provide a background and stimulate discussion on specific laboratory issues.

This issue paper is one of a set of three staff papers that were provided to the Laboratory Study Group. The titles of the three papers and their authors are

Mack, David P., "Laboratory Purposes and Functions: Issues for the National Study Group on Regional Laboratories," August 23, 1983.

Schultz, Thomas, "Funding of Regional Laboratories: Issues for the National Study Group on Regional Laboratories," August 23, 1983.

Schultz, Thomas, and Dominic, Joseph, "Laboratory Governance: Issues for the Study Group on Regional Laboratories," August 23, 1983.

August 23, 1983

Funding of Regional Laboratories: Issues for the National
Study Group on Regional Laboratories

Introduction

The purpose of this paper is to present background material and an analysis of issues involved in the funding of a network of new regional education laboratories, to be competed by the National Institute of Education during the next year. The paper is designed to assist the Study Group on Regional Laboratories in advising the NIE Director on the following decisions:

1. Overall assumptions about the numbers of laboratories and budget for the laboratory program.
2. Alternative means of allocating resources to individual laboratories, including the duration and stability of support, and policy for funding new institutions.
3. Alternative policies concerning matching or cost-sharing requirements for laboratory funding.

It should be emphasized that the purpose of this paper is to offer information and present alternatives to the Study Group, not to advocate for a particular policy. In addition, it should be understood that the role of the Study Group is to advise the Director, who is responsible for final decisionmaking in this area. The paper follows a simple structure. It begins with a background section which will briefly summarize the history of funding for laboratories and outline the current NIE policy, procedures, and levels of funding for the existing laboratories. The major portion of the paper will follow with analyses of issues and options based on the list of pending decisions outlined above.

Background

Federal support for a system of regional laboratories began in 1966, when the U.S. Office of Education provided funding for a network of 30 regional laboratories at an initial total level of \$8,658,000. Federal funding grew rapidly during the next several years and peaked at a level of more than \$25 million in 1970. However, during the same period, the numbers of laboratories declined to 15, based on OE reviews of the quality of work and internal problems of some institutions. In 1972, responsibility for the laboratory program was transferred to NIE. At that point, there were 11 laboratories receiving a total of nearly \$23 million in funding. This year, by way of comparison, NIE is funding only 7 laboratories, for a total of less than \$15 million. These overall trends are described in more detail in the charts contained in the Appendix, which provide a more detailed record of funding for each institution.

The current NIE policies governing laboratory funding were established in January 1979 based on the recommendations of the Panel for the Review of

Laboratory and Center Operations. The key policy statement on funding is as follows:

Level of Support: One of the primary purposes of long-term special institutional agreements is to provide stability to labs and centers, enabling them to anticipate general future funding levels and to plan and sustain needed long-term work. Accordingly, these agreements will ensure support from NIE, ordinarily for five years. Each special institution operating under a long-term agreement will receive an annual monetary planning target (to be announced for the initial agreements on February 16, 1979), which will remain at least at the beginning level during each year of the agreement. As long as NIE receives a sufficient Congressional appropriation, the institution's actual annual level of support will be at least 80% of its planning target and perhaps more than that target, depending upon the results of reviews and the availability of funds. NIE may approve supplements to an institution's scope of work and budget at any point during an agreement, but the Institute does not guarantee in advance that any such supplements will be granted..."

Based on this framework, each laboratory received a planning target in 1979, based on a review of funding history and the lab's current budget level. Each lab then submitted a five-year plan of projects and administrative functions. Each proposal was reviewed by a combination of NIE staff and external experts. Funding recommendations were considered by a high level committee of the Associate Directors of each NIE program, and the Deputy Director.

Other features of the current policy include the following:

- o While individual institutions could receive as much as 120% of their planning target, the total budget for labs and centers was fixed. Thus for any institution to exceed its target, another had to receive less than its target budgets.
- o The policy called for a comprehensive review of each institution and its projects during the third year of the five year agreements. Based on on-site reviews by staff and peers, a decision would be made to either review the agreement for an additional five years, or provide support for a year of planning and strengthening to correct deficiencies. (The third year review, intended for 1982, did not occur due to uncertainty regarding future Federal support for labs).
- o Labs were free to submit proposals for competitions for a grant or contract work sponsored by NIE or other federal agencies.
- o The current funding levels for laboratories reflect a 10% cut in each planning target, applied in 1981 due to overall reductions in the NIE budget.

These policies have provided a degree of stability for the seven survivors of the original twenty laboratories. However, a number of regions receive only limited services due to the status of their laboratories when funding

targets were set in 1979. These "inequities" represent one issue for consideration in the recompetition of laboratories. Funding policy may also require adjustments if the Institute makes significant changes in the purposes and functions of laboratories or their primary clients.

Overall Assumptions

In large part, NIE policy on laboratory funding is dependent on choices made in other areas. For example, depending on the range of purposes and functions which are defined for laboratories, resource requirements could vary substantially. Similarly, a network of twenty laboratories serving the fifty states would dictate a different pattern of funding than a smaller number of entities, each serving a relatively large number of states.

At the same time, conclusions and insights on funding issues are useful considerations in discussing other areas of NIE policy. If the costs of carrying out a certain set of functions are beyond the likely resources of NIE, then the desirability of this option needs to be tempered by fiscal realities. Requirements for matching funding or cost-sharing could effect policies on governance or the primary clients of laboratories. If a competitive funding policy is set in place, this decision could have implications for the orientation of labs to regional clientele.

Since the Study Group will be considering these different policy issues separately, at least in the first meeting, this paper will begin with some optional assumptions on the types of basic issues outlined above. These will set a general context for the discussion of specific issues which follows:

1. What are appropriate levels of funding for the regional laboratory program?:
 - o Assume a stable range of funding from \$12 million to \$20 million over the next five years for laboratories.
 - o Assume a base of support for laboratories beginning at \$12-\$15 million in 1985 and increasing by roughly a factor of 10% in each succeeding year.
 - o Assume a stable total investment, but a policy of increasing requirements for matching funds or cost sharing.
2. What are alternative assumptions as to the number of laboratories?:
 - o Assume a set of laboratories close to current numbers in size and area of coverage, e.g., 8-11, each serving from 3-7 states.
 - o Assume a larger number of laboratories, perhaps 20, each serving 1-3 states.
 - o Assume 8-11 geographically-based laboratories, complemented by a number of special-purpose projects, providing lab services to constituencies which cross geographic regions, such as big city

or rural school districts, state legislators, Native Americans, or Black colleges.

3. What are alternative assumptions about laboratory purposes and primary clientele?:

- o Assume "comprehensive" laboratories which carry out a wide range of functions (research, development, dissemination, technical assistance, participation in nationwide systems efforts, information and referral services, publications, needs assessment, special priority projects for ED, etc.) for a wide range of clients (SEAs, ISAs, IHEs, LEAs, other state policy-makers, state associations of educators and parents...).
- o Assume SEA-oriented labs which concentrate their services on state agencies as the legal entities responsible for policy implementation, quality assurance, and dissemination. Work to develop the capacities of SEAs to do their work better; supplement their efforts with short-term high quality professional staff and consultants, serve all other constituencies through the SEA apparatus.
- o Assume labs which work directly with local education agencies concerned with school improvement. Do not serve as general purpose R&D providers to all comers, but rather concentrate services on local districts with the preconditions and resources likely to lead to sustained improvement in school quality.
- o Assume labs which serve as brokers for R&D requests, referring clients to appropriate existing providers of R&D; performing projects themselves only in high priority areas where resources or expertise do not yet exist.
- o Serve as a long-range planning, problem identification, and policy analysis agencies for regional policymakers.

Methods of Allocating Resources Among Laboratories

As explained above, the current funding levels for laboratories are the result of a complex historical process of choices by the government, partially based on the quality of past work, partially on regional factors, and partially due to the "freeze" of funding levels instituted in 1979. While the funding of individual laboratories has varied there has been no fundamental reconsideration of the funding levels since the NIE assumed responsibility for the laboratory program. As a result, there is considerable variation between labs in their level of funding, and even greater variation between regions in terms of resources provided, based on various measures of needed services. To cite one example, the Research for Better Schools Lab serves four states with a funding level of more than \$2 million, while the McREL lab serves seven states with less than \$1 million. Lab regions also vary in terms of numbers of local education agencies, population density, wealth, numbers and sophistication of other R&D providers, geographic spread, and numbers of teachers. Since present funding levels were not based on any of these factors, serious "inequities"

can be said to exist, if labs are considered primarily as providers of direct services to particular types of educational institutions or constituencies. This section of the paper will summarize three alternative approaches to funding laboratories, and will discuss two general issues: duration of awards, and funding levels for new institutions.

1. The formula approach. Observations of this type have led some people to argue that when a new system of laboratories is competed, funds should be allocated based on a formula, reflecting the relative needs and demands presented by each region. Based on the primary clients of labs and the primary purposes they are mandated to carry out, the formula could include factors such as the following:

- o numbers of states
- o numbers of local school districts, schools, teachers, or students
- o numbers of other R&D providers
- o relative wealth or levels of funding for education
- o proportion of minority groups or other special populations

Obviously, there are a number of difficulties in calculating such a formula. For example, should one take into account the presence of other R&D providers? On the one hand, many complementary organizations increase the costs for the lab for coordination and building relationships. On the other hand, the existence of other providers could be seen as reducing the demands for service on the lab.

A formula approach to funding could help promote greater "equity" in the availability of services to constituents in different regions. However, critics might well charge that a formula approach to funding fails to provide incentives for high quality work and may reduce the responsiveness of the lab both to its region, and to NIE. If a formula level of resources is seen as an entitlement available regardless of the performance of the lab, accountability is reduced.

2. The competitive approach. The second major alternative mechanism for funding is a competitive process, allowing resources to be tied to the quality of proposed work, the perceived organizational capacity of each institution, or a record of past accomplishments. While this mechanism could appear to carry undesirable consequences of shifting decisionmaking authority to NIE, there are a variety of means which could be devised to involve non-NIE staff in the review process. This option would hopefully result in a better match of resources to opportunities where important needs are complemented by plans of high potential pay-off.
3. Mixed models. There are also a range of mechanisms which could combine a formula and competition. One, of course, is the current NIE policy which provides for competition within a funding range, limiting the rewards but also insuring a floor of support for each institution. (This would necessitate agreeing on a method to determine initial

ranges for each institution, which could involve a formula). A second alternative would be to utilize a formula for certain laboratory functions, and a competitive mechanism for other aspects of the labs' work. For example, each lab might receive a core level of support for institutional functions such as management, governance, and planning at roughly the same absolute dollar level. Those functions which are essentially service in nature could be funded on a formula basis; thus if one role of each lab is to provide a range of services to each state education agency or to each large urban school system, funding for these aspects of laboratory work would be based on the numbers and size of these clients in each region. Other functions, such as applied research, might be funded on a competitive basis, with all interested labs applying for funds in a central "pool". (Although there could be legal issues involved in restricting this competition to laboratories). While this option is the most complex conceptually and practically, it appears to provide a greater degree of flexibility, and could contain the most appropriate elements of a suitable funding strategy.

4. Duration and Stability of Laboratory Funding. Each approach to the allocation of funds leads to a question of the length and stability of support. To build relationships and credibility with client and provider groups, and to attract and hold strong staff and managers, labs obviously need a degree of certainty about the future. And many of the projects and services which labs are called to carry out are long-term in character. As noted above, current policy calls for labs to be awarded support for a five-year duration, with a comprehensive review of their effectiveness and accomplishments at the end of three years. One of the policy questions NIE must consider in this competition is whether this span of time is appropriate or needs to be altered.
5. Start-up and Phasing Issues in Laboratory Funding. The options of adopting formula, competitive, or mixed model approaches to laboratory funding are further complicated by considering the varying types of competitors which are likely to submit proposals. One set of questions concerns the possibility that new organizations may be designated as laboratories in some regions:
 - o On what basis should NIE make decisions about initial levels of support for a new organization which is designed as a laboratory?
 - o What rate of growth in funding is appropriate to assume as new institutions develop their institutional functions and program strategies?

Cost-Sharing or Matching Requirements

Many federal programs require a form of contribution from local recipients or from sponsoring agencies. These policies may promote several purposes:

- o To spread or extend the impact of federal resources
- o To serve as a rough market test of the need for services

- o To reduce the dependence of institutions on a single source of Federal funding over a period of years

As the chart in Appendix A indicates, labs in the past have varied in the extent to which they have depended on NIE funding. Some have been relatively aggressive and successful in competing for funds from other federal agencies, obtaining contributions from agencies in their regions, or charging for part or all of the costs for particular products and services. The 1979 Lab and Center Panel made several useful comments on this issue in its final report:

"We suggest two principles to govern the optimal balance between NIE and other support. First, in considering other sources of funds, a center or laboratory should select activities on the basis of their relevance to the institution's mission. Given the unstable nature of Federal support in recent years, it is not surprising that some laboratories, in particular, have tended to become 'job shops' to buttress their survival. However, the stability that we envision from long-term institutional agreements should alleviate the need for such dispersed entrepreneurial activity. Ideally, a center or laboratory is free to respond to any available funding opportunity. But in such cases its claim for the special stability of long-term support is weakened in proportion to the share of activities it conducts not related to the NIE-supported mission. A second principle, relevant primarily to laboratories, is that institutions should seek support for activities that are related to their mission. Laboratories can provide more services to their regions and can be more certain that those services are valued when State and local agencies help pay for them."

There are a variety of issues and questions concerning this policy area. Among them are the following:

1. To the extent that labs are encouraged to seek matching funds or recover part of the costs of services, will they be perceived as competitors of other service providers in the region, and thus reduce the effectiveness or potential of their role in leadership, coordination, and brokering of work with other agencies?
2. Will cost-sharing requirements alter the clientele of laboratories towards an increased proportion of wealthier institutions? Is this pattern an effective proxy for the potential to benefit from the laboratory services? Is this pattern congruent with the relative need for laboratory services?
3. Are there forms of cost-sharing which could contribute other benefits to the functioning of laboratories? For example, could state or local agencies be encouraged to assign staff to the laboratory on an exchange basis or on a sabbatical basis? This form of contributing resources could allow the lab to benefit from a continuing flow of practitioner perspectives, and serve as a fruitful professional development experience for the staff involved.

4. What are the advantages and disadvantages of policies emphasizing cost-sharing for products and services as opposed to matching of funds for institutional functions?
5. Should matching or cost-sharing requirements be phased in on an increasing basis over the course of projects or an institutional award, or established at a given level from the beginning of an activity?
6. Are there feasible means to frame and monitor a policy which goes beyond a general statement of encouraging cost-sharing? What methods are there to avoid generating "creative bookkeeping" as the chief response?
7. Will requirements for cost-sharing discourage potential applicants from the laboratory competition who would in other respects be attractive candidates to carry out laboratory functions? Could this requirement give an unfair advantage to any class of competitors?

LAB AND CENTER BUDGET SUMMARY

INSTITUTION	FY '82 BUDGET	FY '83 BUDGET	FY '84 BUDGET
* AEL	1,502,540	1,645,347 ^{1/}	1,704,343 ^{1/}
* CEMREL	2,393,672	499,150	
CEPM	810,000	805,600	805,600 ^{2/}
CSE	878,000	874,003	874,003
CSOS	1,213,000	1,206,539	1,206,539
* FWL	2,475,000	2,458,461	2,458,216
IFG	1,170,000	1,170,000	1,170,000
LRDC	2,364,270	2,352,583	2,351,764
* McREL	790,189	1,706,584 ^{1/}	785,792
NCHEMS	1,465,000	1,420,000	1,465,000
NCRVE	1,047,750	1,040,750	1,040,750
* NWREL	2,977,199	2,961,177	2,961,177
* RBS	2,346,000	2,333,504	2,333,504
RDCTE	1,485,000	1,477,090	1,477,090
* SEDL	1,485,000	1,477,090	1,477,090
* SWRL	1,758,040	1,748,607	1,748,596
WCER	2,007,000	1,996,310	1,996,310 ^{2/}
* LABS			

^{1/} Includes funds for projects transferred from CEMREL

^{2/} Planning Target

Budget History of Labs & Centers FY 76 - FY 82 (\$ in Thousands)

	<u>FY 1976</u>	<u>T. Q.*</u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>FY 1982</u>
NIE Program								
Obligation Total	\$57,454	\$18,445	\$57,842	\$76,197	\$80,154	\$73,569	\$65,241	\$53,087
Lab/Center Funds	26,798	2,702	25,680	27,990	29,611	30,608	30,955	28,168
Distribution by Institution:								
AEL	1,367	532	1,108	1,208	1,365	1,668	1,668	1,503
CEPM	1,527	—	596	600	600	600	766	810
CEMREL	1,654	67	2,379	2,964	2,836	2,697	2,739	2,394
CSE	738	119	903	1,026	1,025	975	975	878
CSOS	368	30	633	897	1,097	1,300	1,356	1,213
FWL	2,581	649	2,615	2,940	2,752	2,750	2,749	2,475
IPG	1,023	—	763	900	1,091	1,225	1,300	1,170
LRDC	2,232	—	1,907	2,402	2,519	2,627	2,627	2,364
McREL	—	—	—	250	435	741	878	790
NCHEMS	1,527	7	1,535	1,400	1,662	1,591	1,625	1,465
NCRVE	1,556	28	1,213	1,300	1,275	1,237	1,048	1,048
NWRL	3,369	594	2,719	2,620	3,165	3,308	3,308	2,977
RBS	3,002	655	2,877	2,550	2,615	2,632	2,607	2,346
RDCTE	725	—	1,292	1,511	1,502	1,512	1,575	1,485
SEDL	1,649	—	1,739	1,651	1,535	1,650	1,650	1,485
SWRL	1,500	21	1,501	1,755	1,904	2,047	1,952	1,758
WCER	1,980	—	1,900	2,016	2,233	2,048	2,132	2,007

*Transition quarter (3 months)

**FUNDING HISTORY OF REGIONAL EDUCATIONAL LABORATORIES
FY 1966 - FY 1975**

TABLE 4.3. OE/NIE institutional and major program support of regional education laboratories, selected years
(In thousands of dollars)

Laboratory	Total 1966-75	1966	1968	1970	1972	1974	1975
Total, all laboratories	203,254	8,658	22,439	25,107	22,743	19,635	17,712
Appalachia Educational Laboratory (AEL)	11,972	461	994	1,126	1,404	2,033	1,540
Center for Urban Education (CUE)	16,690	919	2,675	2,600	2,219	...	...
Central Atlantic Regional Educational Laboratory (CAREL)	1,740	...	780	...	...	...	...
CEMREL	18,127	836	1,350	2,221	2,385	2,218	2,089
Cooperative Educational Research Laboratory (CERLI)	1,440	189	600	...	...	...	...
Eastern Regional Institute for Education (ERIE)	4,028	200	943	844	...	...	...
Education Development Center (EDC)	4,011	168	1,041	950	...	...	...
Far West Laboratory for Educational Research and Development (FWLERD)	19,654	458	1,250	2,373	2,570	1,818	2,760
Michigan-Ohio Regional Educational Laboratory (MOREL)	1,669	184	800	...	...	...	...
Mid-Continent Regional Educational Laboratory (McREL)	7,002	759	730	957	910	202	...
National Laboratory for Higher Education (NLHE)	13,115	190	694	1,078	1,017	496	...
Northwest Regional Educational Laboratory (NWREL)	13,958	571	1,544	1,841	1,889	1,818	3,364
Research for Better Schools (RBS)	29,528	503	2,029	3,397	3,652	5,081	3,930
Rocky Mountain Educational Laboratory (RMEL)	1,917	411	514	...	...	...	...
South Central Regional Educational Laboratory (SCREL)	1,652	181	700	...	...	...	...
Southeastern Educational Laboratory (SEL)	3,662	503	670	720	...	...	...
Southwest Educational Development Laboratory (SWEDL)	16,737	216	1,400	2,062	2,160	2,035	1,837
Southwestern Cooperative Educational Laboratory (SWCEL)	6,185	294	752	956	1,109	...	...
Southwest Regional Laboratory for Educational Research and Development (SWRL)	26,027	957	2,235	3,024	3,428	3,934	2,192
Upper Midwest Regional Educational Laboratory (UMREL)	4,140	658	678	958	...	...	...

NOTE.—As independent agencies, laboratories receive support from various Federal and non-Federal sources. Funds shown through 1972 for OE represent only those received from the budget line for laboratories administered by the Division of Educational Laboratories; funds received from other OE programs are not included. Under NIE there was no separate budget line for laboratories during 1973-75, and funds received from all NIE programs are shown.

Source: NIE.

From: 1976 Databook: The Status of Education Research and Development in the United States, U.S.DHEW, 1976.